

## Message Text

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PAGE 01 STATE 167999

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ORIGIN NEA-10

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DRAFTED BY NEA/ARN:TJCAROLAN:PDW

APPROVED BY NEA/ARN:MDRAPER

PM/SAS:DJAMES

DOD/OSD/ISA:COL. R. THOMPSON

DOD/DSAA:JHARTSOCK

DOD/OSD/GC:MR. FORMAN

TREASURY:GNENSEL

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FM SECSTATE WASHDC

TO AMEMBASSY AMMAN NIACT IMMEDIATE

INFO AMEMBASSY JIDDA

CONFIDENTIAL STATE 167999

FOR AMBASSADOR FROM NEA/DRAPER

E.O. 11652: GDS

TAGS: PFOR MASS JO US

SUBJECT: OVERDUE INTEREST PAYMENT ON FY 1975 FMS LOAN

1. WE HAVE JUST BEEN ADVISED BY DOD AND TREASURY THAT GOJ IS DELINQUENT IN PAYMENT OF INTEREST TOTALING DOLS 29,384.90 THAT WAS DUE JUNE 30, 1976 UNDER TERMS OF THE FY 1975 FMS LOAN AGREEMENT BETWEEN GOJ AND THE FEDERAL FINANCING BANK (FFB) DATED JUNE 26, 1975. (ALTHOUGH FIRST PAYMENT ON PRINCIPAL OF THAT LOAN IS NOT DUE UNTIL JUNE 30, 1977 RPT 1977, GOJ DRAWDOWNS (BEGUN APRIL 14 OF THIS YEAR) ON FMS CREDITS PROVIDED BY THE LOAN REQUIRE SEMI-ANNUAL INTEREST PAYMENTS BEGINNING JUNE 30, 1976.) UNDER TERMS OF LOAN AGREEMENT, IF A BORROWER FAILS FOR A PERIOD OF TEN (10) CALENDAR DAYS TO MAKE ANY PAYMENT OF PRINCIPAL OR INTEREST ON THE PROMISSORY NOTE AFTER SUCH PAYMENTS ARE DUE, THE FFB MAY REQUEST IMMEDIATE REPAYMENT OF UNPAID PRINCIPAL

CONFIDENTIAL

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PAGE 02 STATE 167999

AND INTEREST ON THE NOTE AND TERMINATE THE LOAN COMMITMENT.

2. IN LETTER DATED MAY 28, 1976, FFB PROVIDED CUSTOMARY NOTIFICATION TO JORDANIAN EMBASSY HERE THAT FIRST SEMI-ANNUAL INTEREST PAYMENT ON JORDAN'S FY 1975 FMS LOAN WOULD COME DUE ON JUNE 30. WE UNDERSTAND FROM JORDANIAN MILATT THAT EMBASSY RELAYED THIS NOTIFICATION TO SAUDI EMBASSY ON MAY 30, BUT NO REPLY OR ACKNOWLEDGMENT WAS RECEIVED.

JORDANIAN MILATT NOW ADVISES THAT, IN LIGHT OF CIRCUMSTANCES DESCRIBED ABOVE, HE HAS SENT URGENT CABLE TO AMMAN REQUESTING AUTHORITY TO MAKE CURRENT OVERDUE INTEREST PAYMENT DIRECTLY TO FFB (USING GOJ FUNDS) BEFORE 10-DAY GRACE PERIOD EXPIRES.

3. THIS PROBLEM ASSUMES PARTICULAR URGENCY BY VIRTUE OF FACT THAT DOD/DSAA--IN ITS ROLE AS BACK-UP GUARANTOR OF THE GOJ/FFB LOAN AGREEMENT--WOULD BE REQUIRED TO PAY THE INTEREST PAYMENT FROM ITS GUARANTY RESERVE ACCOUNT TO THE FFB ON BEHALF OF THE JORDANIANS AND/OR SAUDIS IF THE 10-DAY GRACE PERIOD EXPIRES WITHOUT SUCH PAYMENT HAVING BEEN MADE BY EITHER GOVERNMENT. THIS PROSPECT CAUSES SERIOUS CONCERN, SINCE DOD HAS NEVER MADE A PAYMENT FROM ITS GUARANTY RESERVE IN THE HISTORY OF THE FMS CREDIT PROGRAM. FURTHERMORE, ONCE SUCH A PAYMENT BY DOD HAS BEEN MADE, IT WOULD BE IRREVOCABLE ACTION THAT COULD NOT LATER BE REMEDIED AND, AS SUCH, COULD JEOPARDIZE GOJ'S CHANCES OF OBTAINING FUTURE CREDIT.

4. ACTION REQUESTED: MUCH AS WE REGRET HAVING TO BRING THIS URGENT MATTER TO YOUR ATTENTION ON SUCH SHORT NOTICE, WE MUST ASK THAT YOU CONTACT APPROPRIATE GOJ AUTHORITIES IMMEDIATELY IN ORDER TO ENSURE THAT ABOVE-MENTIONED OVERDUE INTEREST PAYMENT IS MADE TO FFB NO LATER THAN FRIDAY JULY 9, THUS PRECLUDING FFB FROM DEMANDING GUARANTY PAYMENT FROM DOD/DSAA. PLEASE ADVISE BY IMMEDIATE CABLE (NOT LATER THAN THURSDAY, JULY 8) RESULTS OF YOUR EFFORTS IN THIS REGARD. KISSINGER

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